

Washington, DC Neighborhood Market Drill Down

The District of Columbia Office of the Deputy Mayor for Planning and Economic Development, along with the Washington, DC Marketing Center and in partnership with a team of industry leaders – State Farm, PMI, and the Fannie Mae Corporation – contracted with the Social Compact to conduct the Washington, DC Neighborhood Market Drill Down. The intent: to provide the District, the local business community and the related DC neighborhoods with a unique set of dependable business-oriented data and market insights that cannot be assessed through traditional market sources.

The study's objective: to help fuel the flow of private capital and support informed business decision-making processes relative to future investment strategies for Washington, DC's inner-city and undervalued neighborhoods.

Two distinct DC neighborhoods were the focus of the Drill Down:

- East of the Anacostia River, in a community generally known as Anacostia/Hillcrest
- Columbia Heights/Petworth in Northwest Washington

These two DC communities are dramatically different from each other and are therefore profiled separately.

BACKGROUND – THE SOCIAL COMPACT

Launched in 1990, Social Compact is a coalition of business leaders who have joined forces to promote successful business investment in undervalued communities for the benefit of current residents. Its high-level goal is to attract a second wave of capital – private business investment and initiatives – that will fuel the long-term competitive strength of lower-income communities.

Social Compact has pioneered the Neighborhood Market Drill Down, a unique market analysis model built on innovative sources of dependable, business-oriented data that reveal the hidden strengths of traditionally undervalued communities. The Drill Down profile challenges the negative stereotypes that have historically defined inner-city neighborhoods. Poverty and deficiency data are replaced with business indicators of market strength. Some of the best private market analysis models – designed for the suburban market – are adapted to respond to the unique characteristics of the inner city in order to capture hidden populations, economies, and micro-market opportunities that exist below the radar of traditional market information sources.

METHODOLOGY

The Drill Down is accomplished by assembling current, finely sieved, reality-based market information drawn from a spectrum of diverse commercial and local government sources (e.g. tax assessor, building permit, first source real estate, commercial credit companies, and billing address data).

The data, in turn, serve as the foundation for an objective, systematic analysis of the business attributes of the market and an inventory of potential target customers (both households and small business).

Unique to the Drill Down model is the identification of hidden populations, cash economies, and micro-market development patterns that exist below the radar of mainstream market data or commercial market analysis tools.

WASHINGTON DC DRILL DOWN SUMMARY FINDINGS

Anacostia/Hillcrest is a community of approximately 2.8 square miles bounded by the Anacostia River to the northwest, Pennsylvania Avenue to the northeast, Southern Avenue/Maryland Border to the southeast and Suitland Parkway to the southwest. (This area represents approximately 17.2% of the land east of the river)

In summary, the Drill Down finds a market that is larger, growing, has significantly greater buying power, and is far safer than generally perceived or portrayed by Census 2000 or mainstream market research.

A Larger Market: The Drill Down revealed a 13.1% larger population than Census 2000 findings (37,511 vs. 33,172).

A Growing Market: The Drill Down reveals a market that is growing modestly, not shrinking: +2.6% vs. -9.3%. Contrary to Census 2000, the Drill Down found the market to be increasing in size over Census 1990 figures by 2.6%, a modest rate, but an increase nonetheless compared with Census 2000 (that suggests that the market is shrinking by 9.3%). Drill Down growth patterns are reinforced by public and private school enrollment figures that show a 9.7% increase over 1990 figures. Similarly, the Drill Down found a 7.0% increase in the number of households over Census 1990 figures (Census 2000 reports a 4.5% decline).

Market Income Significantly Stronger than Generally Portrayed: Aggregate household income for the Drill Down Market is \$693 million, 17.2% over the standard Census Upgrade figure of \$591 million.

This is primarily a function of the additional households revealed through the Drill Down (1,800) and the cash economy overlay of \$76 million (12.3%).

An Active Real Estate Market: The volume of home sales and increase in real estate values further suggest a market that is growing rather than constricting. Looking just at activity in 2000 and 2001, sales went from 23 single family home sales in 2000 to 144 single family home sales in 2001. Additionally, home values increased 9.5% from \$100,000 in 2000 to \$109,500 in 2001.

An Increasingly Safe Market:

- Crime is declining: The Drill Down reveals a 35.1% reduction in crime since 1995.
- Total incidents of crime per thousand persons in Anacostia/Hillcrest compares very favorably with the same figure for all of Washington, DC (54.34 incidents in Anacostia/Hillcrest versus 72.77 incidents in Washington, DC; 25.3% lower).

A Highly Segmented Market: Looking beyond market medians, Anacostia/Hillcrest is a highly segmented market. Four distinct micro-markets were identified based upon land use, real estate patterns and household economic characteristics. The micro-markets, named for the purpose of the Social Compact study, but not reflecting actual neighborhood names, are as follows:

- (1) North Anacostia
Bounded by the Anacostia River to the northwest, Pennsylvania Avenue to the northeast, 30th Street/Texas Avenue to the southeast and Good Hope Road to the southwest
- (2) Good Hope/Hillcrest
Bounded by 30th Street/Texas Avenue to the northwest, Pennsylvania Avenue to the northeast, Southern Avenue to the southeast and Naylor Road to the southwest
- (3) South Anacostia
Bounded by Good Hope Road to the north, Fort Stanton Park to the east and Suitland Parkway to the south and west
- (4) Garfield Heights
Bounded by Good Hope Road to the north, Naylor Road to the east, Suitland Parkway/Maryland border to the south and Fort Stanton Park to the west

- **Homeownership** at a building level ranges from a high of 72.2% in Good Hope/Hillcrest to a low of 39.2% in Garfield Heights.
- **Reported Median Income** reflects a similar pattern as homeownership, ranging from a high of \$51,912 in Good Hope/Hillcrest to a low of \$34,301 in South Anacostia.
- **Home Values** range from a high of \$192,500 for median single family home value in Good Hope/Hillcrest compared with a low of \$87,000 in South Anacostia.

THE UNTAPPED MARKET OPPORTUNITIES

An Under-Leveraged Financial Services Market: In spite of the fact that the market appears to be well served by the banking industry – with an average of approximately 3,000 households per branch – this is a significantly under-banked market. Approximately 31.8% of the households have no evidence of a documented banking relationship. This is further evidenced by the ratio of utility bills paid in cash versus check: in the two year study period of January 2000 through December 2001, over 81.1% of all Verizon bills paid at bill payment centers in the market area were paid in cash rather than by check.

The Retail Market Opportunity:

- Adjusted aggregate market income is \$693,138,437.
- Local buying power (based on the CES model of disposable income available after housing, taxes, utilities and transportation) totals \$292,296,479.
- Total retail sales in the market in 2000 were \$119,500,000.
- This represents a gap of \$172,796,479; or \$172,796,479 in local buying power that is being spent outside of the market, due in part to the absence of quality retailers serving the market.
- On average each household spends \$11,524 outside the market.

WASHINGTON DC DRILL DOWN SUMMARY FINDINGS

Columbia Heights/Petworth: is a community of approximately 1.9 square miles bounded by Emerson and Decatur streets to the north, Rock Creek Church Road, Park Place and Georgia Avenue to the east, W Street and Florida Avenue to the south and 16th Street to the west.

In Summary: This market is far larger, growing much faster, fueled by a rapidly increasing immigrant community; with far greater buying power, and much higher home values than reflected by Census 2000 or mainstream market research.

A Much Larger Market:

- The Drill Down revealed a much larger population (51.0%) than Census 2000: 78,272 (Drill Down) vs. 51,823 (Census 2000).
- The Drill Down Household count was 36.6% higher than Census 2000: 24,732 (Drill Down) vs. 18,100 (Census 2000).

A Growing Market: Drill Down: 55.9% vs. Census 2000 at 3.2% increase in size in residential population over Census 1990.

The difference in market size and growth are primarily a function of multiple households residing within one housing unit due to rapidly rising housing costs which are out of the reach of individual families (thus the larger average household size, Drill Down: 3.05 vs. Census 2000: 2.5) and the huge influx of immigrants into the market.

A Large and Increasing Foreign Born Population: The Columbia Heights/Petworth community is home to a large foreign born population. More than 44,300 residents (56.6%) were born outside the United States. El Salvador, and, to a lesser extent, the Dominican Republic and West Africa are the primary countries of origin.

Much Greater Incomes than Generally Portrayed:

- Average Household Income: \$58,752 (Drill Down) vs. \$43,606 (Census Upgrade)
This 34.7% variance is primarily due to the Drill Down inclusion of a cash economy projection that averages \$10,000 per household in this market.
- Aggregate Market Income: \$1.4 billion (Drill Down) vs. \$851 million (Census Upgrade)
This variance of 70.7% is a function of:
 - The Drill Down's larger household count (36.6%)
 - The larger base average Drill Down income figure of \$47,432 vs. \$43,606 for the Census Upgrade
 - The cash economy overlay of 20.6% or \$247 million – averaging \$10,000 per household
 - Multiple wage earners per household

An Active Real Estate Market:

- Single family property values are significantly higher (12.9%) compared to the Census Upgrade: \$153,000 Drill Down median vs. \$135,567 Census Upgrade median
- This represents an increase of 55.3% over 1990 values or an appreciation of 17.8% over the inflation adjusted Census 1990 median home value of \$129,847.
- The volume of transactions and increases in real estate values further suggest a market that is significantly growing. Between 2000 and 2001, sales went from 85 single family home sales in 2000 to 486 single family home sales in 2001. Additionally, home values increased 12.3% from \$138,000 in 2000 to \$155,000 in 2001.

A Highly Segmented Market: Looking beyond medians, Columbia Heights/Petworth is a highly segmented market. The Drill Down revealed five micro-markets based upon land use, real estate patterns and household economic characteristics. The micro-markets, named for the purpose of the Social Compact study, but not reflecting actual neighborhood names, are as follows:

North Petworth

Bounded by Emerson and Decatur streets to the north, Rock Creek Church Road to the east, Taylor, Allison and Upshur streets to the south and 16th Street to the west

South Petworth

Bounded by Taylor, Allison and Upshur streets to the north, Park Place to the east, Otis Street and Spring Road to the south and 16th St to the west

Columbia Heights North

Bounded by Spring Road to the north, 13th and 11th streets to the east, Harvard Street to the south and 16th Street to the west

Columbia Heights South

Bounded by Harvard Street to the north, 11th Street to the east, W Street and Florida Avenue to the south, and 16th Street to the west

Park View/Howard

Bounded by Otis Street and Spring Road to the north, Park Place and Georgia Avenue to the east, Florida Avenue to the south, and 13th and 11th streets to the west

- **Change in Market Size** (Households) varies from an increase over Census 1990 figures of 48.8% in South Petworth to an increase of 27.9% in Columbia Heights North.
- **Density** ranges from a low of 40.7 persons per acre in North Petworth to a high of 110.1 in Columbia Heights North.
- **Homeownership** at a building level ranges from a high of 80.4% in North Petworth to a low of 51.9% in Columbia Heights South.
- **Reported Median Income** ranges from a high of \$82,856 in Columbia Heights South to a low of \$23,364 in Park View/Howard.
- **Home Values** range from a high of \$250,000 for median single family home sales value in Columbia Heights South compared with a median low of \$130,000 in Park View/Howard. Single family properties in Columbia Heights North experienced the greatest degree of appreciation over Census 1990 figures, increasing 50.1% over inflation adjustments, whereas home values in North Petworth saw a comparatively modest increase in value of 8.8% after inflation adjustments.
- **Risk and Stability Indicators** vary substantially.
Violent crime per person, for the year 2000, ranges from a low of 9.35 incidents per 1,000 persons in North Petworth to a high of 27.30 per 1,000 persons in Park View/Howard.

THE UNTAPPED MARKET OPPORTUNITIES

An Under-Leveraged Financial Services Market: This is a significantly under-banked market. Approximately 45.4% of the households do not have evidence of a documented banking relationship. This is supported by the ratio of utility bills paid in cash versus check: in the two-year study period of January 2000 through December 2001, over 77.3% of all Verizon bills paid at bill payment centers were paid in cash rather than by check.

The Retail Market Opportunity:

- Adjusted aggregate market income is \$1,453,056,987.
- Local buying power (based on the CES model of disposable income available after housing, taxes, utilities and transportation) totals \$612,754,131.
- Total retail sales in the market in 2000 were \$188,750,000. In light of the fact that Columbia Heights is a destination market, some portion of this figure reflects money coming in from outside the market.
- This represents a gap of at least \$424,004,131; or \$424,004,131 in local buying power that is being spent outside of the market, due in part to the absence of quality retailers serving the market.
- On average each household spends \$17,144 outside the market. Part of this income spent outside the market can certainly be attributed to the considerable frequency of immigrant residents sending remittances back to their home countries.